



General Assembly

February Session, 2020

**Committee Bill No. 20**

LCO No. 2308



Referred to Committee on COMMERCE

Introduced by:  
(CE)

***AN ACT ESTABLISHING A TAX CREDIT FOR BUSINESSES THAT  
HIRE FORMERLY INCARCERATED INDIVIDUALS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective July 1, 2020, and applicable to taxable years*  
2       *commencing on or after January 1, 2020*) (a) As used in this section:

3       (1) "Commissioner" means the Commissioner of Economic and  
4       Community Development;

5       (2) "Control", with respect to a corporation, means ownership,  
6       directly or indirectly, of stock possessing fifty per cent or more of the  
7       total combined voting power of all classes of the stock of such  
8       corporation entitled to vote. "Control" with respect to a trust means,  
9       ownership, directly or indirectly, of fifty per cent or more of the  
10      beneficial interest in the principal or income of such trust. The  
11      ownership of stock in a corporation, of a capital or profits interest in a  
12      partnership, limited liability company or association or of a beneficial  
13      interest in a trust shall be determined in accordance with the rules for  
14      constructive ownership of stock provided in Section 267(c) of the  
15      Internal Revenue Code of 1986, or any subsequent corresponding

16 internal revenue code of the United States, as amended from time to  
17 time, other than paragraph (3) of said Section 267(c);

18 (3) "Full-time job" means a job in which a qualifying employee is  
19 required to work at least thirty-two hours per week for not less than  
20 forty-eight weeks in a calendar year. "Full-time job" does not include a  
21 temporary or seasonal job;

22 (4) "Income year" means, with respect to a taxpayer subject to the  
23 sales and use tax under chapter 219 of the general statutes, the insurance  
24 companies and health care centers tax under chapter 207 of the general  
25 statutes, the corporation business tax under chapter 208 of the general  
26 statutes, the utilities company tax under chapter 212 of the general  
27 statutes or the income tax under chapter 229 of the general statutes, the  
28 income year as determined under each of said chapters, as the case may  
29 be;

30 (5) "New qualifying employee" means a qualifying employee who  
31 resides in this state and is hired by a taxpayer on or after October 1, 2020,  
32 and prior to October 1, 2022, to fill a new job. "New employee" does not  
33 include a person who was employed in this state by the taxpayer or by  
34 a related person to the taxpayer during the prior twelve months;

35 (6) "New job" means a job that did not exist in this state prior to a  
36 taxpayer's application to the commissioner for certification under this  
37 section for a second chance tax credit, is filled by a new qualifying  
38 employee and is a full-time job;

39 (7) "Qualifying employee" means a new employee who, at the time of  
40 hiring by the taxpayer:

41 (A) Was incarcerated in a correctional facility or a Federal Bureau of  
42 Prisons facility within the twenty-four months preceding such hiring; or

43 (B) Is receiving vocational services or job placement services from the  
44 Department of Correction, an American Job Center or a federal  
45 reintegration of ex-offenders initiative;

46 (8) "Related person" means (A) a corporation, limited liability  
47 company, partnership, association or trust controlled by the taxpayer,  
48 (B) an individual, corporation, limited liability company, partnership,  
49 association or trust that is in control of the taxpayer, (C) a corporation,  
50 limited liability company, partnership, association or trust controlled by  
51 an individual, corporation, limited liability company, partnership,  
52 association or trust that is in control of the taxpayer, or (D) a member of  
53 the same controlled group as the taxpayer; and

54 (9) "Taxpayer" means a person that (A) has been in business for at  
55 least twelve consecutive months prior to the date of the taxpayer's  
56 application to the commissioner for certification under this section for a  
57 job expansion tax credit, and (B) is subject to tax under chapter 207, 208,  
58 212, 219 or 229 of the general statutes.

59 (b) (1) There is established a second chance employee tax credit  
60 program whereby a taxpayer may be allowed a credit against the tax  
61 imposed under chapter 207, 208, 212, 219 or 229 of the general statutes,  
62 other than the liability imposed by section 12-707 of the general statutes,  
63 for each new qualifying employee hired on or after October 1, 2020, and  
64 prior to October 1, 2022. For taxpayers that employ less than fifty  
65 employees in full-time jobs in this state on the date of application to the  
66 commissioner for certification under this section, the creation of at least  
67 three new jobs in this state shall be required for said tax credit. For  
68 taxpayers that employ more than fifty, but not more than two hundred  
69 employees in full-time jobs in this state on the date of application to the  
70 commissioner for certification under this section, the creation of at least  
71 five new jobs in this state shall be required for said tax credit. For  
72 taxpayers that employ more than two hundred employees in full-time  
73 jobs in this state of the date of application to the commissioner for  
74 certification under this section, the creation of at least ten new jobs in  
75 this state shall be required for said tax credit.

76 (2) For the purposes of determining the number of new jobs a  
77 taxpayer is required to create in order to claim a credit under this

78 section, the number of employees working in full-time jobs the taxpayer  
79 employs in this state on the date of its application to the commissioner  
80 for certification under this section shall apply to such taxpayer for the  
81 duration of such certification.

82 (c) The amount of the credit shall be nine hundred dollars per month  
83 for each qualifying employee.

84 (d) (1) The taxpayer shall claim the credit in the income year in which  
85 it is earned, and, if eligible, in the two immediately succeeding income  
86 years. Any credit not claimed by the taxpayer in an income year shall  
87 expire and shall not be refundable.

88 (2) If the taxpayer is an S corporation or an entity treated as a  
89 partnership for federal income tax purposes, the shareholders or  
90 partners of such taxpayer may claim the credit. If the taxpayer is a single  
91 member limited liability company that is disregarded as an entity  
92 separate from its owner, the limited liability company's owner may  
93 claim the credit.

94 (3) No taxpayer shall claim a credit for any new qualifying employee  
95 who is an owner, member or partner in the business or who is not  
96 employed by the taxpayer at the close of the taxpayer's income year.

97 (4) No taxpayer claiming the credit under this section with respect to  
98 a new qualifying employee shall claim any credit against any tax under  
99 any other provision of the general statutes with respect to the same new  
100 qualifying employee.

101 (e) (1) To be eligible to claim the credit, a taxpayer shall apply to the  
102 commissioner in accordance with the provisions of this section. The  
103 application shall be on a form provided by the commissioner and shall  
104 contain sufficient information as required by the commissioner,  
105 including, but not limited to, (A) the activities that the taxpayer  
106 primarily engages in, (B) the North American Industrial Classification  
107 System code of the taxpayer, (C) the number of employees employed by

108 the taxpayer as of the application date, and (D) if applicable, the names  
 109 and positions or job titles of the new qualifying employees. The  
 110 commissioner shall consult with the Commissioner of Correction,  
 111 director of the Federal Bureau of Prisons, or other agencies, as  
 112 applicable, for any verification the commissioner deems necessary to  
 113 confirm the eligibility of a qualifying employee. The commissioner may  
 114 impose a fee for such application as the commissioner deems  
 115 appropriate.

116 (2) Upon receipt of an application, the commissioner shall render a  
 117 decision, in writing, on each completed application not later than thirty  
 118 days after the date of its receipt by the commissioner. If the  
 119 commissioner approves such application, the commissioner shall issue  
 120 a certification letter to the taxpayer indicating that the credit will be  
 121 available to be claimed by the taxpayer if the taxpayer and the new  
 122 qualifying employees otherwise meet the requirements of this section.

123 (f) The total amount of credits granted under this section shall not  
 124 exceed three million dollars in any one fiscal year.

125 (g) No credit allowed under this section shall exceed the amount of  
 126 tax imposed on a taxpayer under chapter 207, 208, 212, 219 or 229 of the  
 127 general statutes. The commissioner shall annually provide to the  
 128 Commissioner of Revenue Services a list detailing all credits that have  
 129 been approved and all taxpayers that have been issued a certification  
 130 letter under this section.

131 (h) No credit shall be allowed under this section for any new jobs  
 132 created on or after October 1, 2022.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2020, and applicable to taxable years commencing on or after January 1, 2020</i>	New section

**Statement of Purpose:**

To establish a tax credit for businesses that hire formerly incarcerated individuals.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*

Co-Sponsors: SEN. OSTEN, 19th Dist.; REP. CONLEY, 40th Dist.

S.B. 20